

Function 150: International Affairs

Function 150 contains funding for all U.S. international activities, including: operating U.S. embassies and consulates throughout the world; providing military assistance to allies; aiding developing nations; dispensing economic assistance to fledgling democracies; promoting U.S. exports abroad; making U.S. payments to international organizations; and contributing to international peacekeeping efforts. Funding for all of these activities constitutes about one percent of the federal budget.

- ***House Republican Budget Resolution Tracks President's Budget*** — The House Republican budget provides \$25.3 billion for appropriated international affairs programs for 2003, the same level provided by the President's budget. Unlike the House Republican budget, the President's budget also displays \$124 million in this function to account for the full cost of accruing all pensions, retired pay, and retiree health benefits for employees. This amount reflects only an accounting change, and does not represent a programmatic increase. See *Appropriated Programs* and *Creative Accounting* for further discussion. The House Republican budget provides \$844 million above CBO's estimate of the amount needed to maintain constant purchasing power for this function (not including emergency expenditures in response to September 11).
- ***Overall International Affairs Increase is Smaller than Funding Provided Last Year in Response to September 11*** — As part of the \$40 billion supplemental appropriation passed last year in response to the September 11 attacks, Congress provided \$1.6 billion in emergency funding for international affairs programs. The 2003 budget increase for international affairs of \$844 million represents \$720 million (46.0 percent) less than the amount provided in the wake of September 11.
- ***Specific Programs Receive Increases Smaller than Funding Provided Last Year in Response to September 11*** — The Republican budgets increase funding for the Economic Support Fund (ESF) by \$23 million over CBO's estimate of the amount needed to maintain constant purchasing power at the non-emergency level for 2002.

Funding for Afghanistan: To Be Determined

The Administration has pledged \$296 million in assistance to Afghanistan for 2002. However, in the President's 2003 budget, funding for Afghanistan is not requested for a number of major aid programs: development assistance, Economic Support Fund, Foreign Military Financing, and International Military Education and Training. Instead, the budget suggests that funding levels for these programs is "To Be Determined." It remains to be seen whether funding for Afghanistan will be sought through supplemental appropriations, an amended budget request, unspecified cuts to other countries and programs in the international affairs budget,

However, this 2002 level excludes \$600 million in ESF assistance to Pakistan provided for this program in response to the September 11 attacks. Similarly, for Non-Proliferation, Anti-Terrorism, Demining, and Related Programs (NADR), the budget provides \$51 million above CBO's estimate of the amount needed to maintain constant purchasing power at the non-emergency level for 2002. But this \$51 million increase is smaller than the \$98 million for NADR programs provided by the emergency supplemental appropriations.

- ***No Funding for the President's Newly Announced Foreign Assistance Pledge*** — On March 14, the President announced the Administration's intention to increase assistance to developing countries by \$5 billion over three years, beginning in 2004. The budget does not contain money for this initiative. Providing this funding would require reducing funding in other areas, increasing the deficit, or increasing revenues.
- ***Funding Cut for Eastern Europe*** — The Republican budgets provide \$495 million for the Support for Eastern European Democracy (SEED) program, which is \$126 million less than the 2002 enacted level.
- ***Funding Cut for Newly Independent States*** — The Republican budgets provide \$755 million for assistance to the Independent States of the Former Soviet Union. This amount is \$29 million less than the 2002 non-emergency enacted level. In the aftermath of September 11, \$47 million of the \$40 billion in emergency funding was provided for assistance to the Independent States of the Former Soviet Union, which include Uzbekistan and other Central Asian states. If this emergency funding is included in the 2002 totals, then the President's budget reduces funding in this account by \$76 million relative to the 2002 enacted level.
- ***Funding Reduced for Export-Import Bank of the United States*** — As the official credit agency of the United States, the Ex-Im Bank provides financing assistance to U.S. exporters and, when necessary, matches foreign subsidies so that U.S. companies can compete for business on an equal footing (approximately 77 countries provide export credit or subsidies). The Republican budgets cuts the Ex-Im Bank's credit subsidy to \$541 million, \$186 million (26 percent) below the 2002 level. The Administration asserts that, because of a new credit risk methodology, this reduced funding can support an increased level of loan activity.